

Competitive Need Limit (CNL) Waivers: A Primer

What are competitive need limitations (CNLs)?

The GSP program contains built-in import ceilings to limit duty-free access to the U.S. market to products and countries that might not otherwise be “competitive.” The GSP statutes require termination of GSP benefits for products from specified beneficiaries if those products:

- (1) account for 50 percent or more of the value of total U.S. imports of that product, or
- (2) exceed a certain dollar value (\$135 million in 2008; increases by \$5 million per year).

What is a CNL waiver?

The Office of the U.S. Trade Representative (USTR) may grant continued duty-free access, or a “CNL waiver,” to products exceeding the import ceilings. A product may receive a waiver if it is not made in the United States (i.e., “504(d)” waivers), total U.S. imports of it are low (i.e., *de minimis* waivers); or it is imported from a designated GSP least developed country, for example.

How have CNL waiver rules changed?

In 2006, Congress made several statutory changes to the program in an effort to limit duty-free access for so-called “super-competitive” products. According to the new requirements, beginning July 1, 2007, the President “should” revoke any CNL waiver that has been in effect for five or more years if one of two conditions is met:

- (1) the value of the product imported under the waiver is 150% of the value of the competitive need limit; or
- (2) imports of the product getting the waiver from the particular country exceed 75% of the total value of imports of that product from all countries.

What has been the impact of the CNL waiver changes?

\$3.4 billion worth of products lost GSP benefits in 2007 as a result of the new CNL waiver rules. (For more information on specific products, please see the companion one-pagers with trade data for jewelry and brake parts). More than \$650 million worth of imports lost GSP benefits in 2008 as a result of the CNL waiver rules, including food products, consumer goods, and inputs used to make steel.

These changes hurt both producers in developing countries and U.S. businesses and individuals that benefit from lower costs GSP provides for raw materials, industrial supplies, agricultural products, and consumer goods.

For more information, please contact the **Coalition for GSP** at **202-347-1085**.